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Report Highlights:
Korea is a major importer of raw materials and ingredients for food processing. About 70 percent of food products in Korea are imported. The United States was the largest supplier of agricultural, food and fishery products to Korea, with a 20.2 percent market share in 2006. The size of the Korean food processing industry is estimated at $53 billion for 2006. U.S. ingredients for use in food processing have a strong opportunity in Korea.

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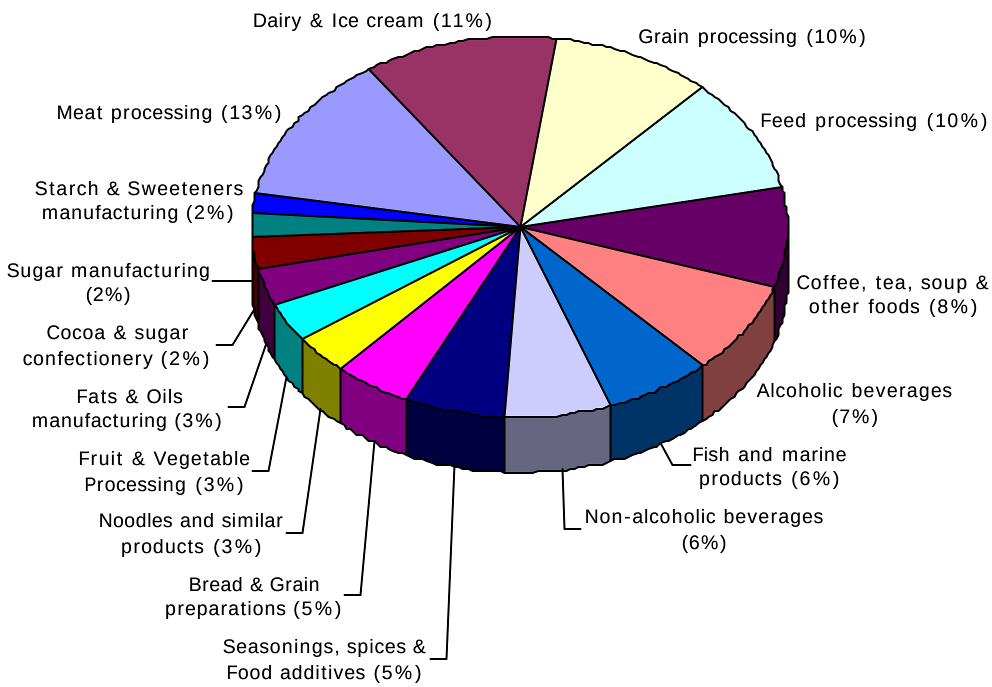
Table of Contents

SECTION I. Market Summary

The gross output of the Korean food processing industry, including animal feed, beverages and seafood, is estimated at $53.2 billion (48.9 trillion Won, $1 = 920 Won) for 2006, slightly up from $52.5 billion in 2005. The sector is composed of about 8,495 enterprises (with 5 employees or more) and about 185,000 employees.

The total imports of agricultural, food, fishery and forestry products in 2007 are estimated at $20 billion from the world. With $4 billion in sales in 2007, the United States is estimated to account for 20 percent of Korean agricultural and food imports. Due to the lack of arable farmland, high production costs and growing food requirements, Korea has been a major importer of basic foodstuffs for further processing. Korea imports about 70 percent of total agricultural product needs. The United States, China, European Union (EU) and Australia are the major agricultural exporters to Korea. With a territory about the size of the state of Indiana and population of 50 million, Korea is the 5th largest market for U.S. agricultural products.

Chart 1: Output of Food Processing Industry by Sector in 2006



Korea imports a broad range of basic, intermediate and semi processed agricultural products. Corn, soybeans, wheat, essential oils, frozen concentrated orange juice, turkey meat, duck meat, almonds, walnuts, powdered milk, whey powder, beef, pork, beef tallow, seafood, processed fruits and vegetables, coffee, potato products, vegetable oils and cocoa products exemplify the raw materials and ingredients imported into Korea for use in food processing. U.S. suppliers have a strong opportunity to export inputs for use in food processing in Korea.

The United States was the largest supplier of agricultural, food and fishery products to Korea, with a 20.2 percent market share in 2006, followed by China with 19.3 percent, Australia with 10.3 percent and the EU with 10.2 percent. These four countries accounted for about 69 percent of the total Korean agricultural, food and fishery product imports in 2006.

Table 1. Imports of Agricultural, Food and Seafood in Korea: 2006($million)

Sector	Total	USA	China	Australia	EU	Others
Bulk	3,186	1,430	620	346	44	746
Intermediate	4,403	813	506	543	558	1,983
Consumer	4,871	928	835	806	960	1,342
Seafood	2,664	140	1,021	1	71	1,431
Total	15,124	3,311	2,982	1,696	1,633	5,502

Note: Forest products excluded
Source: Korea Trade Information Service, compiled by ATO Seoul

Table 2. Advantages and Challenges for U.S. Food and Fishery Products.

Advantages	Challenges
U.S. food is assessed as equal or superior quality relative to domestic products	Changes in food regulations compounded by language barrier
Increasing affluence of Koreans is shifting consumer focus from price to quality	Importers lack knowledge of product sources
Appreciation of Korean currency relative to the U.S. Dollar make U.S. product more affordable	Food safety concerns and biotech issues High marketing costs
World Animal Health Organization announcement of controlled risk for BSE in United States creates conditions for broader access for U.S. beef	Onerous inspection/customs clearance procedures
KORUS FTA will make U.S. products more competitive with other foreign suppliers	Tolerances of additives/preservatives are different from the United States

SECTION II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

When considering the Korean market, exporters should conduct preliminary research to determine if the market is appropriate for their product. It may not be possible to market the exact same product in Korea as in the United States. Korean consumers may have different demands and Korea has different tolerances for some additives and preservatives.

As a good place to start is reviewing the Attaché reports for Korea on the FAS website (see Section VI of this report). Some of these reports are also available on the U.S. Agricultural

Trade Office website. In addition, information from Korean importers, U.S. state departments of agriculture and the U.S. Department of Commerce (for non-agricultural products) could be helpful. In particular, the "Country Commercial Guide" includes a wide variety of useful information. Register for access to the Country Commercial Guide at: http://www.buyusa.gov/korea/en/ Lists of Korean importers, by product, can also be obtained from the U.S. Agricultural Trade Office.

The next step might include sending catalogues, brochures, product samples, and price lists to prospective importers as a way of introducing the company and products. Once contact with an importer is established, it is advisable to visit the importer(s) in person, which will increase the seller's credibility with the Korean importer and give an opportunity to see the Korean market first hand. There is no substitute for face-to-face meetings. The supplier or exporter should bring samples as well as product and company brochures including price lists, shipping dates, available quantities, and any other information needed for negotiating a contract. While information in English is acceptable, having it in Korean is helpful. A general overview of your firm in Korean is a good plan to start.

Another way of finding potential importers is to participate in a local food show to showcase your products to a larger audience. Many Korean importers attending these shows are looking to establish reliable long-term trading relationships. Show participation enhances initial contacts with importers, agents, wholesalers, distributors, retailers and others in the food and beverage industry.

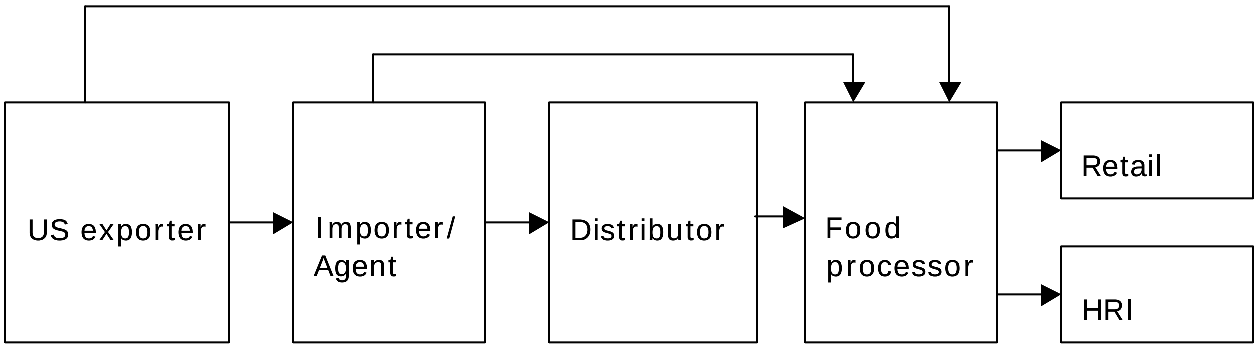
Currently, there are two trade shows supported by ATO Seoul in Korea. The "Seoul Food & Hotel 2008" will be held in Ilsan in the suburbs of Seoul, May 14-17, 2008. The show presents an excellent chance to explore possible market opportunities in Korea. This show is a trade only show and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc. It is the only "trade only" show in Korea. All other shows cater mostly to consumers. Another show is "Busan International Seafood and Fishery Expo 2008" which is the largest seafood related show in Korea and will be held in Busan, the second largest city in Korea, in the middle of November 2008.

American companies should be sensitive to the uniqueness of the Korean market. An approach or a product that was successful in another market does not necessarily ensure the same tactic will be applicable to Korea. It will be necessary to renew the product design, packaging and market approach for the Korean situation, requirements and tastes. A well-developed relationship with a Korean importer is an asset when determining how best to market a product.

Finally in the Korean market, never take anything for granted. Be ready for the unexpected. Just because the first container cleared customs does not mean the second one will. Be open for new information, attentive and patient.

B. MARKET STRUCTURE

The chart below gives an overview of the usual distribution channel for imported food ingredients from U.S. exporters to Korean food processors.



Large food processing companies often prefer to purchase from local importers, agents or distributors when they the quantities are small. These large companies generally tend to buy food ingredients directly from overseas suppliers when the quantities become large.

C. COMPANY PROFILES

Below is a table with profiles of the major Korean food manufacturing companies with sales of $200 million or more in 2006. Information includes company sales, the main end-use channels, procurement channels and contacts.

Table 3. Company Profiles

Company Product types	Sales in 2006 ($Mil)	End-use Channel	Plant Location	Procurement Channels	Contacts
Nong Shim (Instant noodles, snacks, beverages)	1,719	Retail and HRI	N/A	Direct and other importers	*P. 02-820-7114 *F. 02-820-7044 *W. nongshim.com
Lotte Chilsung (drinks, alcohol, juices, coffee)	1,172	Retail and HRI	N/A	Direct and other importers	P. 02-3479-9114 F. 02-535-8619 W. lottechilsung.co.kr
CJ Corp. (sugar, wheat flour, mixed feeds, soy milk)	2,881	Retail and HRI	N/A	Direct and other importers	P. 02-726-8114 F. 02-726-8179 W. cj.co.kr
Lotte Confectionery (Confectionery, chewing gum, ice cream)	1,173	Retail and HRI	N/A	Direct and other importers	P. 02-670-6114 F. 02-6672-6600 W. lotteconf.co.kr
Dong Suh Foods (Coffee, tea, honey, cereal)	972	Retail and HRI	N/A	Direct and other importers	P. 032-500-3333 F. 02-714-9412 W. dongsuh.co.kr
Lotte Ham & Milk (Pork, milk)	565	Retail and HRI	N/A	Direct and other importers	P. 02-3479-5114 F. 02-3479-5100 W. Lottehammilk.co.kr
Haitai	566	Retail and	N/A	Direct and	P. 02-709-7766

Company Product types	Sales in 2006 ($Mil)	End-use Channel	Plant Location	Procurement Channels	Contacts
Confectionery(confectionery, ice cream)		HRI		other importers	F. 02-797-0887 W. htb.co.kr
Coca Cola Korea Bottling (Soft drinks, other beverages)	558	Retail and HRI	N/A	Direct and other importers	P. 02-2259-5888 F. 02-2259-5586 W. cckbc.co.kr
Orion Corp (confectionery, chewing gum & snacks)	590	Retail and HRI	N/A	Direct and other importers	P. 02-710-6000 F. 02-719-2582 W. orionworld.com
Ottogi Corp (ketchup, mayonnaise, curry, vinegar, edible oils)	1,054	Retail and HRI	N/A	Direct and other importers	P. 031-421-2122 F. 031-421-2140 W. ottogi.co.kr
Daerim Corp. (Fish cake, imitation crab meat, Pollack, squid, tuna processing)	204	Retail and HRI	N/A	Direct and other importers	P. 02-3470-6000 F. 02-523-8900 W. daerimi.com
Shany (bread, ice cream)	247	Retail and HRI	N/A	Direct and other importers	P. 031-739-2000 F. 031-739-2014
Paris Croissant (bread, confectionery)	538	Retail and HRI	N/A	Direct and other importers	P. 031-740-5500 F. 031-740-5530 W. paris.co.kr
Samyang Corp (Sugar, edible oils, animal feeds)	1,272	Retail and HRI	N/A	Direct and other importers	P. 02-740-7114 F. 02-744-4005 W. samyang.co.kr
Korea Nestle (Coffee, infant formula, nutritional food)	299	Retail and HRI	N/A	Direct and via other importers	P. 02-590-0114 F. 02-590-0097 W. nestle.co.kr
Ottogi Ramyun (Instant noodles)	265	Retail and HRI	N/A	Direct and via other importers	P. 031-683-1813 F. 031-683-1242 W. ottogi.co.kr
Namyang Dairy (Processed milk products, beverages, tea)	890	Retail and HRI	N/A	Direct and via other importers	P. 02-2010-6601 F. 02-730-8159 W. namyangi.com
Samyang Food (Instant noodles, snacks, soy sauce)	261	Retail and HRI	N/A	Direct and via other importers	P. 02-940-3000 F. 02-942-4350 W. samyangfood.co.kr
Nonghyup Feed	625	Retail and	N/A	Direct and via	P. 02-2224-8506

Company Product types	Sales in 2006 ($Mil)	End-use Channel	Plant Location	Procurement Channels	Contacts
(Mixed feeds)		HRI		other importers	F. 02-2224-8519 W. nonghyupsaryo.co.kr
Dae Sang Corp (seasonings, food additives, starch)	1,108	Retail and HRI	N/A	Direct and via other importers	02-2220-9500 02-2220-9879 W. daesang.co.kr
Daesang Farmsco (Mixed feed)	387	Retail and HRI	N/A	Direct and via other importers	P. 031-720--7115 F. 031-756-3572 W. dsfeed.com
Ts Corp.	1,023	Retail and HRI	N/A	Direct and via other importers	P. 032-770-1400 F. 032-770-1601 W. ts.co.kr
Daehan Flour Mill (wheat flour)	273	Retail and HRI	N/A	Direct and via other importers	P. 02-3455-0200 F. 02-755-9975 W. dhflour.co.kr
Dongwon F&B (Canned product, beverages, meat products)	232	Retail and HRI	N/A	Direct and via other importers	P. 02-589-3000 F. 02-589-0057 W. dw.co.kr/food
Doosan Corp (Beverages, alcohol)	2,096	Retail and HRI	N/A	Direct and via other importers	P. 02-3398-3182 F. 02-3398-1135 W. doosancorp.co.kr
Diageo Korea (Alcohol)	324	Retail and HRI	N/A	Direct and via other importers	P. 031-630-9500 F. 031-636-5805 W. whisky.co.kr
Lotte Samkang (Margarine, mayonnaise)	379	Retail and HRI	N/A	Direct and via other importers	P. 02-2629-0114 F. 02-2629-0291 W. lottesamkang.co.kr
Maniker Co.(Chicken, ham)	200	Retail and HRI	N/A	Direct and via other importers	P. 031-336-0123 F. 031-336-6084 W. moniker.co.kr
Maeil Dairy Co. (butter, milk powder, milk, yogurt)	749	Retail and HRI	N/A	Direct and via other importers	P. 02-2127-2114 F. 02-3675-0501 W. mail.com
Baskin Robbins Korea ((ice cream, doughnuts)	232	Retail and HRI	N/A	Direct and via other importers	P. 02-2187-3020 F. 02-564-3100 W. baskinrobbins.co.kr
Binggrae Co.(ice	572	Retail and	N/A	Direct and via	P. 02-2022-6000

Company Product types	Sales in 2006 ($Mil)	End-use Channel	Plant Location	Procurement Channels	Contacts
cream and dairy drinks)		HRI		other importers	F. 02-2022-6201 W. bing.co.kr
Samyang Genex (Starch, corn flour, food additives)	248	Retail and HRI	N/A	Direct and via other importers	P. 02-740-7115 F. 02-740-7911 W. genex.co.kr
Sunjin Co.(animal feeds, meat)	254	Retail and HRI	N/A	Direct and via other importers	P. 031-637-1180 F. 031-637-1186 W. sj.co.kr
Sindongbang Corp (soybean oil)	239	Retail and HRI	N/A	Direct and via other importers	P. 02-2007-3000 F. 02-2007-3055 W. sdb.co.kr
Agribrands Purina Korea (animal feeds)	428	Retail and HRI	N/A	Direct and via other importers	P. 031-710-6073 F. 031-710-6102 W. agribrands.co.kr
Oriental Brewery Co.(beer, soft drinks)	639	Retail and HRI	N/A	Direct and via other importers	P. 02-2149-5227 F. 02-2149-5385 W. ob.co.kr
Woosung Feed (animal feeds)	210	Retail and HRI	N/A	Direct and via other importers	P. 042-631-1101 F. 042-670-1670 W. woosungfeed.co.kr
Jinro (alcohol)	762	Retail and HRI	N/A	Direct and via other importers	P. 02-520-3114 F. 02-520-3450 W. jinro.co.kr
KT&G (ginseng products and cigarettes)	2,459	Retail and HRI	N/A	Direct and via other importers	P. 042-939-5000 F. 02-3404-4515 W. ktng.com
Crown confectionery (confectionery)	319	Retail and HRI	N/A	Direct and via other importers	P. 02-3415-2789 F. 02-3415-2769 W. crown.co.kr
Corn Products KOrea (starch)	201	Retail and HRI	N/A	Direct and via other importers	P. 02-3480-1320 F. 02-3445-6765 W. cornproductsco.kr
Pulmuone Co.(food products)	388	Retail and HRI	N/A	Direct and via other importers	P. 043-879-4500 F. 043-877-6768 W. pulmuone.co.kr
Halim Co.(chicken)	389	Retail and HRI	N/A	Direct and via other importers	P. 063-862-2542 F. 063-862-2838

Company Product types	Sales in 2006 ($Mil)	End-use Channel	Plant Location	Procurement Channels	Contacts
					W. halim.com
Hite Brewery (beer, water)	971	Retail and HRI	N/A	Direct and via other importers	P. 02-3219-0114 F. 02-3442-2683 W. hite.com
Korea Yakult Co.(milk products)	1,040	Retail and HRI	N/A	Direct and via other importers	P. 02-3449-6000 F. 02-3449-6655 W. yakult.co.kr
Korea Ginseng Corp (ginseng products)	468	Retail and HRI	N/A	Direct and via other importers	P. 042-600-0334 F. 042-600-0319 W. kgc.or.kr
Pizza Hut Korea (Pizza making)	288	Retail and HRI	N/A	Direct and via other importers	P. 02-3468-0140 F. 02-563-3291 W. pizzahut.co.kr

*P stands for phone number, *F for fax number and *W for Website.
Note: Country code for Korea is 82. The "0" of the city code is dropped when calling from abroad.

D. SECTOR TRENDS

Some Korean food processors like Nong Shim, CJ, Lotte Confectionery, Daelim Corp. and Sam Yang Corp. have investments in China, USA, Russia, Vietnam and Chile, etc. Some of these companies sell their final products in the foreign countries and also export them to other countries as well as to Korea. Some U.S. companies like Baskin Robbins Korea, Agribrands Purina, Coca Cola, and Kellogg have invested in Korea to produce food, feed, ice cream and soda products in Korea as sole investors and/or joint ventures.

The Korean food and beverage manufacturing and processing industry is a major users of imported raw materials, intermediate products, ingredients and additives. Imports are necessary to support the processing industry due to limited local supply in terms of quantity and variety. The area of cultivated land was 1,800,470 hectares in 2006, accounting for 18 percent of the total land of Korea.

Korea has a diverse food-processing sector. Concurrently, Korean consumers exhibit a tendency for goods produced in Korea, while still seeking an expanding variety of products. Increased buying power, international travel and cosmopolitan living all lend to growing demand for a diversity of locally produced food items.

Table 4. Output of Food Processing by Sector: 2006

Food Processing Sector	Gross output ($million)	Share (%)
Meat processing	6,828	13%
Dairy & Ice cream	6,116	11%
Grain processing	5,284	10%
Feed processing	5,153	10%

Coffee, tea, soup & other foods	4,376	8%
Alcoholic beverages	4,250	8%
Fish and marine products	3,462	7%
Non-alcoholic beverages	3,360	6%
Seasonings, spices & Food additives	3,288	6%
Bread & Grain preparations	2,539	5%
Noodles and similar products	1,759	3%
Fruit & Vegetable Processing	1,710	3%
Fats & Oils manufacturing	1,659	3%
Cocoa & sugar confectionery	1,486	3%
Sugar manufacturing	1,023	2%
Starch & Sweeteners manufacturing	911	2%
Total	53,203	100%

Most Korean food and beverage manufacturers are small-scaled companies. As of the end of 2006, there were 8,495 food, livestock, dairy and beverage manufacturing companies with a labor force of five or more across Korea. Of these there are only 14 manufacturers with 500 employees or over as shown on the following table. Only 3.4 percent (288 manufacturers) have 100 or more employees.

Table 5. Employment Size of Food and Beverage Manufacturers: 2006

No. of Employees	No. of Manufacturers	Percent
5-9	4,437	52.2%
10-19	2,010	23.7%
20-49	1,334	15.7%
50-99	426	5.0%
100-199	195	2.3%
200-399	52	0.6%
300-499	27	0.3%
500 and Over	14	0.2%
Total	8,495	100.0%

In 2006, Korean self-sufficiency of rice is estimated at 98.9 percent, wheat at 0.2 percent, barley at 49 percent, soybeans at 40.2 percent, corn at 3.6 percent and 12 percent for other grains. In 2006, Korea imported 3.5 million metric tons (1.1 million tons from USA) of wheat valued at $656 million ($231 million from USA), 8.7 million MT (5.8 million tons from USA) of corn valued at $1,265 million ($843 million from USA) and 1.1 million MT (561,000 tons from USA) of soybeans valued at $321 million ($147 million from USA). U.S. suppliers have a strong opportunity to export raw materials or ingredients for use in food processing in Korea.

There are a total of 8 wheat flour millers with 11 milling plants in Korea. One hundred percent of wheat for flour milling is imported. Most milling wheat is imported from the

United States, Australia, Canada and China. In 2006 Korea imported 3.5 million tons of wheat worth about $656 million. Korea produced 2.26 million tons of wheat flour in 2006. The types and quality of U.S. wheat imported into Korea are Soft White Wheat, Hard Red Winter and Hard Red Spring for use of all purposes. However, Australian wheat is used for noodles and snacks, Canadian wheat is used for both bakery and feed, and Chinese and Ukrainian wheat is used primarily for feed. The flour market has grown for many years along with increasing per capita income and dietary changes from rice to wheat-based food. However, consumption of wheat flour appears to have stabilized at about 33 Kg. per capita (wheat equivalent) in 2006.

No sugar cane or sugar beets are produced in Korea. Accordingly, all raw sugar is imported. There are currently three sugar-refining companies in Korea with a total annual production of about 1.3 million metric tons, 67 percent of which is consumed domestically and the remaining 33 percent is exported to other countries. Sugar is widely used in food sectors, including confectionery, jam and jelly, powered milk, bakery, cake, beverages and fruit based alcohol. Per capita consumption of wheat in Korea is about 26 Kg. The total demand for sugar in Korea is not increasing.

There are 4 companies in Korea which produce starch and starch syrup with corn as a raw material. The total amount of corn used in starch and starch syrup production is about 2 million metric tons annually. The corn used in this sector is imported from the United States, China, Brazil and Argentina. Starch and starch syrup are also used in a wide variety of products such as beverages, confectionery, bakery, ice, beer, etc.

Local eating habits have changed dramatically in recent years. A diet that had long been based on rice became progressively more centered on wheat and protein. At the same time, consumers sought more diversity and became more quality oriented. Consumption of fish, fruits, vegetables, marine plants and edible oil increased. Consumer preferences also shifted toward foods that were convenient to cook rather than those that require lengthy preparation. At the same time, demand for greater quality in terms of flavor and nutrition increased, a sharp departure from a diet that previously emphasized caloric content. Consumers became more health and safety conscious in their food buying habits as ingredients, packaging, shelf life, safety and environmental concerns became important determinants of purchasing behavior.

Spending habits also became diversified as individual preferences and a wider variety of foods became available to meet consumer demand. These shifts toward quality, variety, convenience, safety and health resulted not only increased consumption of processed food, but also stimulated the growth of the domestic food processing industry.

Korean consumers also like natural, fresh food products, such as health foods, functional foods and diet foods. Koreans perceive organic, low-chemical or other “natural” products as healthy products in line with the recent trend in Korea focusing on the so-called “well-being” lifestyle. As a result, the market for organic and “natural” foods is a segment that has been developing rapidly. Koreans have always looked to their food to provide a functional or health benefit and foods made without the use of pesticides or insecticides appeal to Korean consumers.

Traditionally, Korean dishes require a lot of preparation time. Small restaurants specializing in only a few dishes are still common. Home preparation, however, is becoming increasingly rare. For home consumption, busy consumers can purchase ready-made local-style food items such as kimchi or bulgogi (thin-sliced marinated beef) at local grocery or convenience stores.

It is also important to note that Korean consumers are very sensitive to food safety issues. They tend to get their information through the media and trust it in spite of the often misleading information. Once a "food scare" rumor gets publicity, that food is affected and its reputation is quickly damaged.

Korea processed about 1.55 million tons of fish and seafood in 2006. Imported seafood products are utilized for both domestic consumption and re-export. Seafood is imported into Korea from about 100 different countries. Major suppliers of fishery products to Korea include China, Russia, Japan, Vietnam, the United States, Thailand, Taiwan and Chile. In 2006, these eight supplying countries accounted for over 80 percent of total Korean seafood imports on a value basis. China continued to be the largest seafood supplier to Korea, followed by Russia and Japan.

Chile has emerged as one of the major competitors. Thanks to the implementation of the Korean/Chilean Free Trade Agreement (FTA) in 2004, seafood imports from Chile increased by 46 percent to $84 million in 2006. Korea only imported $32 million of seafood from Chile in 2003 before the FTA with Chile. Seafood importers are paying more attention to Chilean seafood because of lower tariffs compared to other countries. The effects of the FTA will be realized more over the long term when the Customs duties decline further or become zero. As a result of the FTA, import tariffs were reduced to zero immediately for 277 seafood products imported from Chile effective April 1, 2004.

Table 6: Korean Production of Processed Seafood Products by Group (M/T)

Product	2003	2004	2005	2006
Dried/Salted/Cooked	26,724	52,353	58,343	69,259
Preserved/Pickled	37,381	34,626	43,534	42,998
Canned	80,608	159,638	138,585	149,487
Frozen	1,030,184	1,053,077	1,023,801	1,033,060
Dried Seaweed	28,511	71,265	153,597	135,668
Agar-Agar	347	458	443	329
Ground Fish Meat	91,121	96,581	88,290	69,350
Flavor Seasoned	21,501	22,486	19,759	19,500
Fish Meal and Oil	13,924	8,797	11,739	7,618
Others	27,416	29,514	21,830	19,515
Total	1,357,717	1,528,795	1,559,201	1,546,784

Source: Statistical Yearbook of Maritime Affairs and Fisheries 2007

Chart 2: Korean Surimi Production

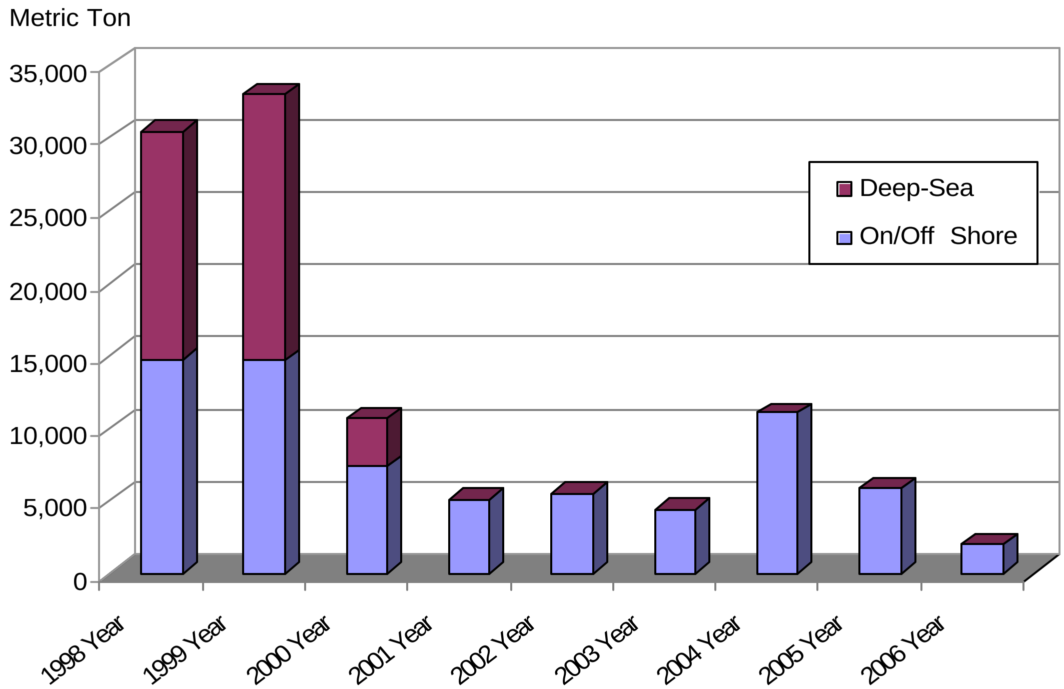
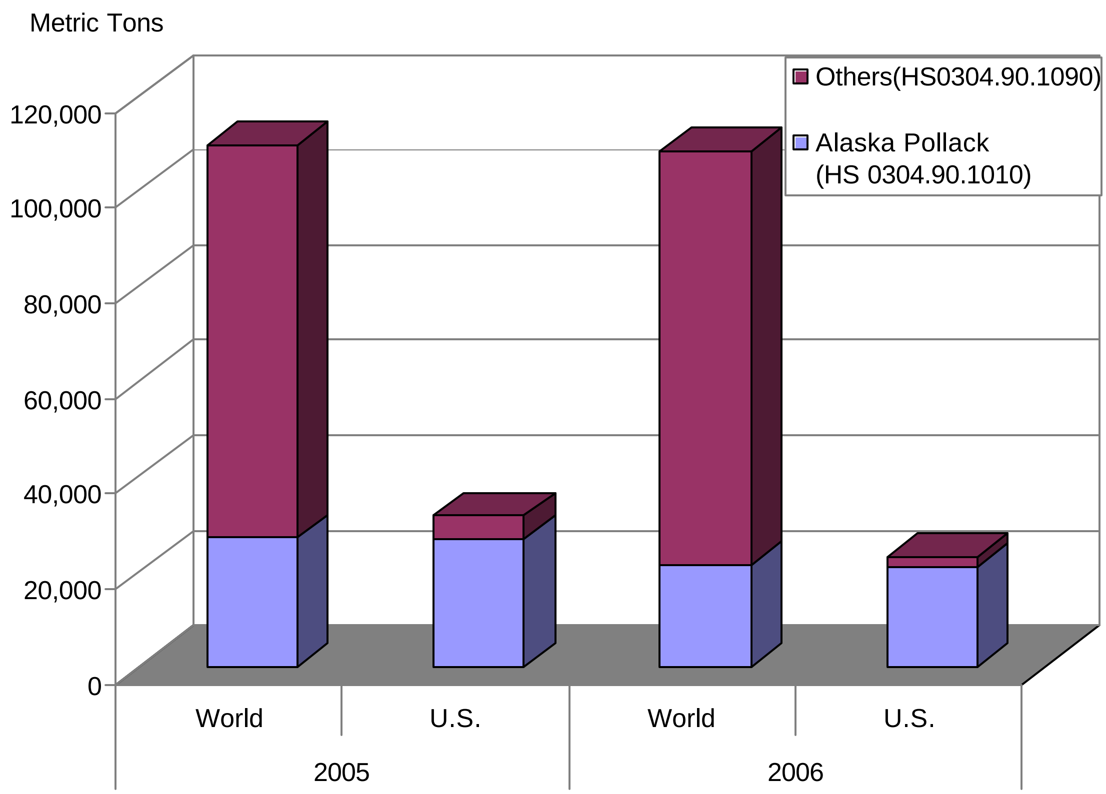


Chart 3: Korean Import of Surimi



SECTION III. COMPETITION

The United States is the largest supplier of agricultural products to Korea with a 20.2 percent market share in 2006. However, the U.S. competes with many other countries for market share in Korea. All of the following items compete with U.S. product: Chinese and Brazilian corn; Australian and Canadian wheat; Brazilian soybeans; Australian red meat; European, Australian, New Zealand dairy products; Chinese, Russian, Japanese seafood.

A brief review of imports by major product category follows. The market shares stated in this section are based on 2006 Korean imports.

Table 7. Major Imports by Product Category by Origin: 2006

Product Category	Import Market Size in 2006 ($Mil)	Major Supply Sources in 2006	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Beef (HS 0201 & 0202)	792	Australia (79%) N. Z. (19%)	U.S. strong in supplying all types of cuts due to price and quality competitiveness.	Consumers state they prefer domestic. Local supplies are short.
Pork (HS 0203)	741	EU (50%) USA (24%) Canada (14%)	EU prices are reasonable.	Koreans are big consumers of pork and have a large pork production, but most of the feed ingredients are imported.
Poultry meat (HS 0207)	79	USA (51%) Brazil (39%) EU (9%)	U.S. prices are competitive in case of chicken legs. Thai prices are competitive.	Avian flu broke in Korea. Almost all feed ingredients are imported.
Fish and seafood products (HS 03)	2,362	China (39%) Russia (15%) Japan (9%) Vietnam (7%) USA (6%)	Chinese and Russian prices are competitive and are closer to Korea. U.S. fish is high quality.	Shortages of local supply.
Dairy products (HS 04)	287	EU (24%) USA (21%) Australia (18%) N. Z. (15%)	The prices of EU, Australia and New Zealand are competitive.	Local production cost is high and most feed ingredients are imported.
Prepared fruits and vegetables (HS 2001-8)	215	U.S. (42%) China (28%) Thailand (7%) EU (5%)	U.S. quality is high and prices are competitive. Chinese prices are low.	Local production cost is high.
Sugar	49	EU(30%)	Chinese prices are	All raw sugar is

Product Category	Import Market Size in 2006 ($Mil)	Major Supply Sources in 2006	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Confectionary products (HS 1704)		China (24%) USA(17%) Japan (11%)	competitive. EU quality is high.	imported in Korea.
Wines (HS 2204)	89	EU (56%) Chile (17%) USA (14%) Australia (8%)	Korean consumers accept French wines as high quality. U.S. wines are becoming popular.	Local production is very little, if any. More Koreans are drinking wines.
Tree nuts (HS 0801 & 0802)	89	USA (82%) Vietnam (6%) China (4%)	U.S. is a dominant supplier of almonds.	No almond is produced in Korea.
Bakery products (HS 1905)	105	China(40%) USA (25%) EU (12%)	U.S. and EU biscuits, cookies and crackers are high quality.	Almost ingredients are imported in Korea.
Citrus products (HS 0805)	132	USA (95%) S. Africa (3%)	Tariff for oranges declined in 2004 from 54.9% to 50%. U.S. is the predominant supplier.	Local production of oranges is almost non-existent.
Fruit juices (HS 2009)	117	USA (34%) Brazil (27%) EU (10%) Iran (6%) China (6%)	Brazil is a stable and cheap supplier of FCOJ and the U.S. FCOJ is high quality.	No FCOJ is produced.
Grains (HS 10)	2,061	USA (54%) China (20%) Australia (11%) Brazil (7%)	Chinese corn prices are cheaper than those of competitors and China is closer to Korea.	Except for rice, almost all grains are imported in Korea.
Oilseeds (HS 1201-7)	454	USA (39%) Brazil (32%) China (16%)	The U.S. is a stable and high quality supplier.	Shortage of supply in Korea.
Animal feeds (HS 2309)	155	EU (25%) USA (24%) China (15%) Japan (14%)	U.S. and EU pet foods are of high quality.	Almost all feed ingredients are imported.
Sauces & condiments (HS 2103)	108	China (48%) Japan (19%) USA (16%)	Chinese sauces are competitive in prices.	Koreans have their own traditional sauces and condiments.
Coffee, tea and spices	205	Vietnam (26%) Brazil (14%)	Chinese prices are competitive in red	Korean prices of red pepper are

Product Category	Import Market Size in 2006 ($Mil)	Major Supply Sources in 2006	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
(HS 09)		Columbia (13%) China (12%) Honduras (8%)	pepper and Vietnam, Indonesia, Columbia and Honduras are competitive in coffee beans.	high. Korea does not produce coffee beans.
Animal and vegetable oils and fats (HS 1501-18)	584	Argentina (21%) Malaysia (19%) Spain (16%) USA (11%) Canada (8%)	Argentina is strong in soybean oil, Spain is strong in olive oil, Malaysia is strong in palm oil, Indonesia is strong in Coconut oil and U.S. is strong in beef tallow, fish oils, soybean oil and edible mixed oils.	Korean does not produce palm oil, and does not have many ingredients.
Prepared meat and seafood (HS 1604 & 1605)	303	Vietnam (41%) China (33%) Thailand (10%) EU (9%)	Vietnam is strong in prepared jerk filefish, China is strong in prepared fish and Thailand is strong in prepared shrimps and chickens.	Korea does not have enough raw materials and Korean prices are high compared to its competitors'.
Chocolate products (HS 1806)	130	USA (33%) EU (32%) China (10%) N.Z.(5%)	U.S. is strong in medium quality chocolate products and EU is strong in high quality chocolate product.	Korea does not produce cocoa and its processed chocolate products are expensive and not high quality.
Ice cream (HS 2105)	11	EU (71%) USA (21%) Japan (4%)	U.S. is strong in high quality ice cream.	Korea does not produce high quality ice cream.

SECTION IV. BEST PROSPECTS

Korea imports a wide variety of agricultural, food, fishery products and ingredients for domestic consumption, and also re-exports some final product to other countries after importing raw and/or semi-finished ingredients and manufacturing them in Korea. The following are products which have presence in Korea and have good increased sales potential to the processing sector

Category A: Products Present in the Market Which Have Good Sales Potential

Product Category	2006 Imports ($ Mil)	5 Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Wheat	656	5%	Zero for feed use and 1.8% for milling	Competition among a few supplying countries	Stable, and established market
Corn	1,265	7%	Zero for feed use and 0.5% for processing	Competition among a few supplying countries	Stable and established market
Soybeans	321	2%	0.5% for extracting oil and oil cake within the quota		Stable and established market
Citrus	132	11.6%	Oranges: 50% Grapefruit: 30%	High tariff rates.	The U.S. is the predominant supplier.
Pork	741	66.4%	22.5-25%	High tariff	Strong demand as a substitute for beef
Chocolate	130	14.2%	8%	High quality products are not well known in Korea.	Competitive in prices and design for medium quality products.
Whey	98	16.7%	20-49.5%	Prices are fluctuating.	Good quality, competitive prices and local production is limited.
Wine	89	56.6%	15%	Fewer varieties than French. Chilean wine subject to lower tariffs as a result of FTA.	Consumption is growing rapidly
Fish and Seafood	2,664	13.6%	*10-20%	Transportation costs can make U.S. prices higher than those of competitors.	Good quality

Product Category	2006 Imports ($ Mil)	5 Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Bread, cakes, pastry, etc.	105	15.8%	8%	Higher prices.	Good quality
Nuts	87	45.7%	Almond: 8% Pistachio: 30% Walnut: 30%	Tariffs are high for pistachios & walnuts. Phyto-sanitary requirements for in-shell walnuts are onerous.	U.S. is a dominant supplier.

*The tariff rates differ widely depending upon the product. For specific tariff rates, please contact ATO Seoul.

Category B: Products Not Present in Significant Quantities but Which Have Good Sales Potential

Product Category	2006 Imports ($ Mil)	5 Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Beef	792	12.5%	40%	Bone free requirement for U.S. beef	Market will begin recovering to the $800 million pre-ban level when bone-in beef is allowed.
Honey	2	17%	20 % – 243%	TRQ for honey is 420 tons. Very high tariff rates are applied to honey outside of the quota.	Strong demand for quality natural honey
Soybeans for sprouting	16	NA	5% - 487%	Importers must pay 487% high tariff rates but a government agency pays only 5%, and inspection procedures are very strict.	Strong demand for soybeans for sprouting

Category C: Products not Present Because They Face Significant Barriers

Product Category	2006 Imports ($ Million)	5 Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for U.S.
Apple	Zero	Zero	45%	Imports of fresh apples are banned due to phytosanitary concerns.	Reasonable prices and less pesticides on U.S. apples will attract Korean consumers

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

KEY FAS/USDA CONTACTS AND FURTHER INFORMATION

For further information about the Korean agricultural market, please contact:

U.S. Agricultural Trade Office
Korean Address: Room 303, Leema Building
146-1, Susong-dong, Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-ATO, APO, AP 96205-5550
Telephone: 82-2 397-4188 Fax: 82-2 720-7921
E-mail: atoseoul@usda.gov
Website: www.atoseoul.com

Agricultural Affairs Office
Korean Address: U.S. Embassy, 82, Sejong-ro, Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-AgAff, APO, AP 96205-5550
Telephone: 82-2 397-4297 Fax: 82-2 738-7147
E-mail: agseoul@usda.gov

For more information on how you can register for USDA/FAS' Supplier List:
The United States Department of Agriculture's Foreign Agricultural Service (USDA/FAS) offers information and services that can be beneficial to both new and experienced exporters. For example, the U.S. Suppliers Service is a searchable database of over 5,000 U.S. exporters and their products, which is used by USDA/FAS to help facilitate connecting potential buyers with U.S. suppliers. This database is used by more than 85 USDA FAS Overseas offices to help export agents, trading companies, importers and foreign market buyers locate U.S. suppliers. It is also used to recruit U.S. exporters to participate in market development activities sponsored by USDA and federal export programs.

You can register online for this service at
http://www.fas.usda.gov/agexport/exporter.html

AgConnections Team
AgExport Services Division, Foreign Agricultural Service, Washington, D.C.
Telephone: 202-690-4172 Fax: 202-205-2963
E-mail: joyce.estep@usda.gov

Website: www.fas.usda.gov/agx/agx.html

For further information about sanitary and phytosanitary requirements, please contact:

U.S. Animal Plant and Health Inspection Service (APHIS)
Korean Address: Room 303, Leema Building
146-1, Susong-dong, Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-APHIS, APO, AP 96205-5550
Telephone: 82-2 725-5495 Fax: 82-2 725-5496
E-mail: yunhee.kim@aphis.usda.gov
Website: www.aphis.usda.gov

For information about activities by Strategic Trade Regional Groups, please contact:

Food Export Association of the Midwest USA
309 W. Washington St., Suite 600
Illinois 60606
Telephone: 312-334-9200 Fax: 312 334-9230
E-mail: thamilton@foodexport.org
Website: www.foodexport.org

Western United States Agricultural Trade Association (WUSATA)
2500 Main Street, Suite 110, Vancouver, WA 98660-2697, USA
Telephone: 360-693-3373 Fax: 360-693-3464
E-mail: bruce@wusata.org
Website: www.wusata.org

Food Export USA - Northeast Region of the United States
150 S. Independence Mall West, 1036 Public Ledger Building
Philadelphia, PA 19106, USA
Telephone: 215-829-9111 Fax: 215-829-9777
E-mail: jcanono@foodexportusa.org
Website: www.foodexportusa.org

Southern United States Agricultural Trade Association (SUSTA)
2 Canal Street Suite 2515, New Orleans, LA 70130, USA
Telephone: 504-568-5986 Fax: 504-568-6010
E-mail: jim@susta.org
Website: www.susta.org

For information on the commercial and industrial products in Korea, please contact:

U.S. Commercial Service
Korean Address: U.S. Embassy, 82, Sejong-ro, Chongro-ku, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-USCS, APO, AP 96205-5550
Telephone: 82-2 397-4535 Fax: 82-2 739-1628
E-mail: Seoul.office.box@mail.doc.gov Homepage: www.buyusa.gov/korea

SECTION VI. OTHER RELEVANT REPORTS

Exporter Guide -- KS7063 dated October 10, 2007

FAIRS Country Reports Annual – KS7053 dated July 31, 2007

Export Certificate FAIRS Report Annual – KS7061 dated September 28, 2007

Retail Food Sector Biennial Market Brief 2007 – KS7024 dated April 19, 2007

Retail Food Sector Home Shopping - KS6085 dated August 2, 2006

HRI Food Service Sector Annual – KS6006 dated February 10, 2006